

# MEDIUM-TERM MANAGEMENT PLAN

## Revised Medium-term Management Plan: "Advance 21"

Fiscal 2009 (fiscal period 60) signals the second year of the Company's medium-term management plan, "Advance 21" (fiscal years 2008 through 2010); however, the Company has decided to revise our Advance 21 plan, due to unanticipated changes in the market environment. While our fundamental objective has not changed ("to become the No. 1 contractor in coastal and waterfront areas, leading the market in this era of technological competition"), we have revised certain numerical targets and basic strategies.

We now forecast consolidated Net Sales of 355.5 billion yen for fiscal 2009 (fiscal period 60), with Operating Income of 11.0 billion yen, Ordinary Income of 8.0 billion yen, and Net Income of 2.8 billion yen. For non-consolidated earnings, we project Construction Orders Received of 291.0 billion yen, Net Sales of 322.5 billion yen, Operating Income of 10.5 billion yen, Ordinary Income of 7.5 billion yen, and Net Income of 2.5 billion yen.

## Advance 21 Basic Policies

Practice Honest Corporate Activities

Establish Penta-Ocean as a Technology-Driven Company

Strengthen On-Site Capabilities

Become the No. 1 Contractor in Coastal and Waterfront Areas, Leading the Market in this Era of Technological Competition

**Secure ongoing project volume in government works projects (including economic stimulus projects); gradually expand project volume as the private sector recovers.**

- (1) Secure ongoing project volume in government works projects (including economic stimulus projects)
- (2) Strengthen technological capacity for large-scale projects after the Haneda runway expansion (e.g. harbors, airports)
- (3) Build a foundation of top-class construction clients; practice careful credit management; focus on profitability
- (4) Continue to build ongoing business in Singapore and other Southeast Asian regions

## Basic Strategies

### Strengthen Profitability in Our Core Business

~Gradual growth focusing on profits

- (1) **Establish Penta-Ocean as a Technology-Driven Company**  
Return to our origins, and enhance on-site capabilities
- (2) **Focus on Profitability**  
Eliminate unprofitable projects
- (3) **Strengthen our Fields/Areas of Expertise**  
Focus energies on coastal and major metropolitan areas
- (4) **Strengthen Coordination between Domestic and International Entities**
- (5) **Continue to Reduce Construction Costs and Administrative Expenses**
- (6) **Reassign Personnel; Train and Educate Personnel; Respond to Retirement of Baby Boomers**
- (7) **Strengthen Group Management**  
Better project selection and focus
- (8) **Capital Investment to Strengthen Competitive Ability**
- (9) **Focus Resources on New Businesses; Promising Future Fields**

### Strengthen Management Capabilities

~Create and operate a practical system of internal controls

- (1) **Daily Practice of CSR**  
Contribute to society through the practice of honest corporate activities and through our core business
- (2) **Risk Management**  
Daily focus on compliance; early detection and appropriate response to risk
- (3) **Corporate Governance**  
Work toward Company-wide/Group-wide optimization; focus on management strategies
- (4) **Creation and Operation of a system of Group-wide internal controls**

### Continue to Strengthen Financial Health

~Solidify the foundation for future growth

- (1) **Continue to Reduce Interest-Bearing Debt**
- (2) **Improve Capital Structure**
- (3) **Gradually Sell Non-Core Assets**

## The Business Environment

### Economic Factors

- Worldwide Recession
- Financial Contraction
- Exchange Rate Fluctuations
- Share Price Fluctuations
- Land Price Declines



### Japanese Society

- Aging Population
- Stronger Ability to Compete Internationally
- Investment Efficiency
- Governmental Decentralization



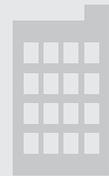
### Construction Industry

- Excess Supply
- Emphasis on Quality/Technology
- Technical Integrated Bid Evaluation System
- Bankruptcies



### Corporate Management

- CSR
- Compliance
- Internal Controls



### Construction Market

- Public Sector: Major economic crisis response measures
- Allocation based on Budget Priorities
- Private Sector: Stagnant Capital Investment, Stagnant Housing Market
- Overseas: Deceleration of Project Implementation, Robust ODA



**A true era of technological competition  
in which only firms with superior technology  
and management will survive**



## Medium-Term Management Plan Earnings Targets

(Hundred Millions of Yen)

	Advance 21				Fiscal 2011 Plan	
	Fiscal 2008 Actual		Fiscal 2010 Plan		Consolidated	Non-consolidated
	Consolidated	Non-consolidated	Consolidated	Non-consolidated		
<b>Earnings Targets</b>						
Construction Orders Received .....	—	¥3,161	—	¥3,150	—	¥3,350
Net Sales .....	¥3,985	3,666	¥3,560	3,230	¥3,720	3,390
Gross Profit .....	289	259	281	259	290	268
SG&A .....	181	162	166	149	165	148
Operating Income .....	108	97	115	110	125	120
Ordinary Income .....	71	71	85	80	95	90
Net Income .....	(33)	(31)	28	25	38	35
Earnings Per Share .....	(13.6 yen)	—	1 yen or greater	—	15 yen or greater	—
<b>Consolidated Financial Targets</b>						
Interest-Bearing Debt .....	¥1,052		¥820 or less		¥770 or less	
D/E Ratio .....	1.3 x		1.0 x or less		0.8 x or less	
ROE .....	(6.3%)		4.0% or greater		6.0% or greater	

### Resumption of Dividends

- The Company plans to resume dividend payments for fiscal 2009 after eight periods of suspended dividends. The Company intends to pay ¥2 per share (consolidated payout ratio of 17.5%)

### Major Fiscal Targets for Fiscal 2010 (consolidated)

- Ordinary Income ¥8.5 billion or greater
- D/E Ratio (net) 1.0 or less

\*D/E Ratio (net) = (interest-bearing debt - cash and deposits) / net assets

### Major Operating Trends/Plan (Full-Year)

